

**CALHOUN COUNTY NAVIGATION DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS**

JUNE 30, 1997

CALHOUN COUNTY NAVIGATION DISTRICT

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Calhoun County Navigation District
Point Comfort, Texas

We have audited the accompanying general purpose financial statements of Calhoun County Navigation District as of and for the year ended June 30, 1997. These general purpose financial statements are the responsibility of Calhoun County Navigation District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Calhoun County Navigation District as of June 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 18, 1997, on our consideration of Calhoun County Navigation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Board of Commissioners
Calhoun County Navigation District

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Calhoun County Navigation District, taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information, except for the Schedule of Principal Taxpayers - Tax Year 1997, the Schedule of Insurance Coverage, and the Cargo Traffic Statistics which are marked "unaudited", has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as whole.

Roloff, Hnatek and Co., L.L.P.

Certified Public Accountants

September 18, 1997

CALHOUN COUNTY NAVIGATION DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1997

ASSETS	Governmental Fund Types		Account Group	Totals	
	General	Capital Projects		(Memo Only) Reporting Entity	(Memo Only) Primary Government
Cash	\$ 4,920,197	\$ 15,955	\$ -0-	\$ 4,936,152	\$ 4,930,739
Property Taxes Receivable	24,307	-0-	-0-	24,307	24,307
Accounts Receivable	232,209	38,414	-0-	270,623	270,623
Prepaid Expenses	7,617	-0-	-0-	7,617	7,617
Deferred Compensation Plan	111,456	-0-	-0-	111,456	111,456
Fixed Assets	-0-	-0-	81,940,433	81,940,433	81,940,433
Total Assets	\$ 5,295,786	\$ 54,369	\$ 81,940,433	\$ 87,290,588	\$ 87,285,175
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ 85,470	\$ 38,414	\$ -0-	\$ 123,884	\$ 123,884
Deferred Property Tax Revenues	24,307	-0-	-0-	24,307	24,307
Deferred Lease Revenues	228,478	-0-	-0-	228,478	228,478
Deferred Compensation Plan	111,456	-0-	-0-	111,456	111,456
Total Liabilities	449,711	38,414	-0-	488,125	488,125
Investment in General Fixed Assets	-0-	-0-	81,940,433	81,940,433	81,940,433
Fund Balances	-0-	15,955	-0-	15,955	15,955
Designated for Construction	4,846,075	-0-	-0-	4,846,075	4,846,075
Undesignated	4,846,075	-0-	-0-	86,802,463	86,797,050
Total Fund Equity	4,846,075	15,955	81,940,433	87,290,588	87,285,175
Total Liabilities and Fund Equity	\$ 5,295,786	\$ 54,369	\$ 81,940,433	\$ 87,290,588	\$ 87,285,175

The accompanying notes are an integral part of this general purpose financial statement.

CALHOUN COUNTY NAVIGATION DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 1997

	<u>Governmental Fund Types</u>		<u>Totals</u>	<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	<u>(Memo Only)</u>	<u>(Memo Only)</u>
			<u>Reporting Entity</u>	<u>Primary Government</u>
Revenues:				
Harbor Operating Income	\$ 1,588,952	\$ -0-	\$ 1,588,952	\$ 1,588,952
Non-Harbor Operating Income	194,428	-0-	194,428	194,428
Taxes	213,626	-0-	213,626	213,626
Interest	238,799	1,821	240,620	240,351
Reimbursements	56,607	265,274	321,881	321,881
Total Revenues	<u>2,292,412</u>	<u>267,095</u>	<u>2,559,507</u>	<u>2,559,238</u>
Expenditures:				
Administrative:				
Personnel Costs	154,757	-0-	154,757	154,757
Other Expenses	124,684	23	124,707	124,707
Operations	138,609	-0-	138,609	138,609
Maintenance Costs	183,909	-0-	183,909	183,909
Security	32,944	-0-	32,944	32,944
Utilities	190,421	-0-	190,421	190,421
Insurance	44,774	-0-	44,774	44,774
Capital Expenditures	927,403	260,637	1,188,040	1,188,040
Other	77,113	-0-	77,113	77,113
Total Expenditures	<u>1,874,614</u>	<u>260,660</u>	<u>2,135,274</u>	<u>2,135,274</u>
Excess of Revenues Over Expenditures	<u>417,798</u>	<u>6,435</u>	<u>424,233</u>	<u>423,964</u>
Other Financing Sources (Uses):				
Operating Transfers In	150,000	-0-	150,000	150,000
Operating Transfers Out	(150,000)	-0-	(150,000)	(150,000)
Total Other Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>417,798</u>	<u>6,435</u>	<u>424,233</u>	<u>423,964</u>
Fund Balance - July 1	<u>4,428,277</u>	<u>9,520</u>	<u>4,437,797</u>	<u>4,432,653</u>
Fund Balance - June 30	<u>\$ 4,846,075</u>	<u>\$ 15,955</u>	<u>\$ 4,862,030</u>	<u>\$ 4,856,617</u>

The accompanying notes are an integral part of this general purpose financial statement.

Roloff, Hnatek & Co., L.L.P.

CALHOUN COUNTY NAVIGATION DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 1997

	General Fund			Capital Projects Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Harbor Operating Income	\$ 1,286,750	\$ 1,588,952	\$ 302,202	\$ -0-	\$ -0-	\$ -0-
Non-Harbor Operating Income	124,870	194,428	69,558	0-	0-	0-
Taxes	215,616	213,626	(1,990)	0-	0-	0-
Interest	196,000	238,799	42,799	0-	1,821	1,821
Reimbursements	-0-	56,607	56,607	0-	265,274	265,274
Total Revenues	1,823,236	2,292,412	469,176	0-	267,095	267,095
Expenditures:						
Administrative:						
Personnel Costs	168,614	154,757	13,857	0-	0-	0-
Other Expenses	132,600	127,085	5,515	0-	23	(23)
Operations	174,477	182,211	(7,734)	0-	0-	0-
Maintenance Costs	195,283	183,909	11,374	0-	0-	0-
Security	24,000	32,944	(8,944)	0-	0-	0-
Utilities	120,000	190,421	(70,421)	0-	0-	0-
Insurance	44,000	44,774	(774)	0-	0-	0-
Capital Expenditures	928,305	927,403	902	0-	260,637	(260,637)
Other	34,500	31,110	3,390	0-	0-	0-
Total Expenditures	1,821,779	1,874,614	(52,835)	0-	260,660	(260,660)
Excess of Revenues Over Expenditures	1,457	417,798	416,341	0-	6,435	6,435

Other Financing Sources (Uses):									
Operating Transfers In	180,000	150,000	(30,000)	-0-	-0-	-0-	-0-	-0-	-0-
Operating Transfers Out	(180,000)	(150,000)	30,000	-0-	-0-	-0-	-0-	-0-	-0-
Total Other Sources (Uses)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses									
	1,457	417,798	416,341	-0-	6,435	6,435	9,520	9,520	6,435
Fund Balance - July 1	4,428,277	4,428,277	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Fund Balance - June 30	\$ 4,429,734	\$ 4,846,075	\$ 416,341	\$ -0-	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955

CALHOUN COUNTY NAVIGATION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

Note 1: Reporting Entity

Calhoun County Navigation District (the District) was created as a conservation and reclamation district pursuant to Article XVI, Section 59 of the Texas Constitution by Chapter 195, Acts of the 53rd Texas Legislature, Regular Session, 1953. The District operates under a Board of Commissioners/Port Director form of government and provides and maintains port facilities for shipping purposes.

The District was organized to facilitate the construction of a deep water navigation channel from the Gulf of Mexico to the Point Comfort, Calhoun County, Texas, dock facilities and turning basin. The District has patents to all lands upon which the channels and jetties are situated; however, the United States Army Corps of Engineers has control over the use and maintenance of the jetties.

The District, for financial purposes, includes all of the funds and account groups relevant to the operations of Calhoun County Navigation District. The District's Commissioners are elected by the public and have the legal authority to govern, assess taxes and designate management. The District is financially independent with respect to any other subdivision, political or otherwise.

The General Fund of the District's financial statements include the accounts of Calhoun County Navigation Industrial Development Authority (the Authority), a non-profit industrial development corporation organized under the Development Corporation Act of 1979. The District's Board of Commissioners and port director also serve as the Board for the Authority, which gives the District oversight responsibilities with respect to the Authority. The Authority is considered a component unit of the District under the criteria of GASB Codification Section 2100.

Note 2: Summary of Significant Accounting Policies

The accounting and reporting policies of the District conform to generally accepted accounting principles, as applicable to governmental units. The following is a summary of such significant policies:

Fund Accounting and Fund Types

The accounting of the District is organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. The various funds and account groups are summarized by type in the combined financial statements. The following fund types and account groups are used by the District:

CALHOUN COUNTY NAVIGATION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

Note 2: Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

General Fund - The General Fund is used to account for all financial resources except for those accounted for in another fund. This is a budgeted fund and any fund balance is considered available for use.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, if any).

Account Groups

The account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

General Fixed Assets - The fixed assets of the District, including land, docks, wharves, warehouses and other port facilities, are accounted for in the General Fixed Assets Account Group. No depreciation has been provided on general fixed assets.

Basis of Accounting

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, if any, which is recognized when due.

Budgets

Budgets, as approved by the Board of Commissioners, are presented in the accompanying combined financial statements for the governmental fund types. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In the General Fund, formal budgetary integration is employed during the year as a financial information tool for management.

CALHOUN COUNTY NAVIGATION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

Note 2: Summary of Significant Accounting Policies (Concluded)

Interfund Transactions

Operating transfers represent authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

General Fixed Assets

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The cost of the general fixed assets includes costs associated with the creation of the District, the sale of bonds, and the construction of facilities including infrastructure (immovable) assets which are of value only to the District. Repairs are not capitalized, and replacement of general fixed assets are capitalized only to the extent that they materially exceed the cost of the original assets. Depreciation is not recorded on general fixed assets.

Property Taxes

Property taxes attach as an enforceable lien on property as of the due date, January 1. Taxes were levied on October 1, 1995, for the fiscal year ended June 30, 1997. The tax rate was set at \$.0276 per \$100 valuation with an assessment ratio of 100% on an assessed value of \$780,120,043. Taxes are billed and collected by the Calhoun County Tax Assessor and Collector.

Property tax revenues are recognized when levied to the extent that they result in current receivables. Property taxes which have been levied but are not yet available (uncollected) are recorded as deferred property taxes.

Totals Columns on Combined Statements

The totals columns on the combined statements are presented only to facilitate financial analysis and are captioned "Memo Only" as the data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, neither is such data comparable to a consolidation. The totals column labeled "Primary Government" excludes the accounts of the District's component unit, Calhoun County Navigation Industrial Development Authority.

CALHOUN COUNTY NAVIGATION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

Note 3: Cash and Temporary Investments

As of June 30, 1997, the carrying amount of the District's deposits was \$4,936,152 and the bank balance was \$4,942,438. The District's depository bank, First National Bank, Port Lavaca, pledges securities as collateral for the District's deposits. The amount of the District's deposits covered by a combination of collateral and federal depository insurance at June 30, 1997, was as follows:

Securities Pledged As	
Collateral (at Market Value)	\$ 4,978,748
Federal Depository Insurance	<u>100,000</u>
Total Coverage	<u>\$ 5,078,748</u>

Accordingly, all of the District's deposits were covered by insurance or collateral at June 30, 1997.

Note 4: Changes in General Fixed Assets

The following is a summary of changes in general fixed assets:

	<u>Balance</u> <u>07-01-96</u>	<u>Additions</u>	<u>Balance</u> <u>06-30-97</u>
Channel and Jetties	\$ 30,592,189	\$ -0-	\$ 30,592,189
Dredging and Drainage	5,961,786	576,533	6,538,319
Roads and Paving	47,102	-0-	47,102
Wharves and Docks	36,361,996	299,740	36,661,736
Utility Lines	11,738	12,452	24,190
Bulkheading and Erosion Control	5,189,657	-0-	5,189,657
Tank Farm	-0-	95,846	95,846
Office Buildings and Additions	1,716,238	185,760	1,901,998
Land	358,516	-0-	358,516
Warehouse and Additions	190,894	6,000	196,894
Scales	27,502	-0-	27,502
Conveyors	58,476	-0-	58,476
Equipment - Other	<u>236,300</u>	<u>11,708</u>	<u>248,008</u>
Total	<u>\$ 80,752,394</u>	<u>\$ 1,188,039</u>	<u>\$ 81,940,433</u>

CALHOUN COUNTY NAVIGATION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

Note 5: Revenue Bonds Issued on Behalf of Others

Calhoun County Navigation Industrial Development Authority (the Authority) has assisted industries within the district by issuing revenue bonds on their behalf (see Note 1). For each of these bond issues, the Authority acted as an issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. The users of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee, and completely indemnify the Authority and the District for any costs incurred. Therefore, these bonds do not constitute indebtedness of the Authority or the District and are not reported in the District's financial statements.

Revenue bonds outstanding at June 30, 1997, are as follows:

<u>Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding at 06-30-97</u>
Pollution Control Revenue Bonds (Formosa Plastics Corporation, Texas Project)					
1982	12-01-82	11-15-97	Variable	\$ 7,390,000	\$ 2,032,250
Pollution Control Variable Rate Demand Refunding Revenue Bonds (Alcoa Project)					
1995	12-01-95	06-01-01	Variable	\$ 7,700,000	\$ 7,700,000
Port Revenue Bonds (Formosa Plastics Corporation, Texas Project)					
1994	10-01-94	11-01-15	Variable	\$48,500,000	\$48,500,000

Note 6: Lawsuits

At June 30, 1997, there was no litigation or other pending legal matters in which the Calhoun County Navigation District was a defendant.

CALHOUN COUNTY NAVIGATION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

Note 7: Operating Leases

The District leases property to several entities under operating leases expiring in various years through 2022. At June 30, 1997, minimum future rentals expected to be received are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
1998	\$ 131,474
1999	118,900
2000	95,972
2001	93,696
2002	92,242
Thereafter	<u>343,311</u>
Total	<u>\$ 875,595</u>

Total revenue from operating leases for the year ended June 30, 1997 was \$154,916.

Note 8: Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. The deferred compensation is available to employees' beneficiaries in the case of death.

CALHOUN COUNTY NAVIGATION DISTRICT
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1997

Note 8: Deferred Compensation Plan (Concluded)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

From the inception of the plan in 1991 through December 31, 1994, the plan document did not allow the District to make contributions to the plan. However, in January 1995, the Board voted unanimously to amend the plan. Effective January 1, 1995, the District contributes to the plan on behalf of all eligible employees and board members.

Eligibility of employees for District contributions to the plan will be one year of full-time, uninterrupted employment. The contribution rates for employees are as follows:

<u>Years of Employment</u>	<u>% of Base Annual Salary Contributed</u>
One	1.67%
Two	3.33%
Three or More	5.00%

Board members are eligible for District contributions to the plan upon commencement of their elected terms. District contributions to the plan on behalf of board members are fixed at \$100 per month per member.

For the fiscal year ended June 30, 1997, the District contributed \$15,593 to the plan.

In management's opinion, the District has no liability for losses under the plan. However, the District does have the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

All assets of the Plan are held by an independent administrator. Plan assets amounted to \$111,456 at June 30, 1997.

Note 9: Compensated Absences

District employees are not paid for unused sick days upon termination. The amount of vacation pay due to employees as of June 30, 1997, is immaterial to the general-purpose financial statements taken as a whole. Consequently, no liability has been accrued for compensated absences.

GENERAL PURPOSE FINANCIAL STATEMENTS

CALHOUN COUNTY NAVIGATION DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

JUNE 30, 1997

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Accrued (Deferred) Revenue at 07-01-96	Receipts	Disbursements	Accrued (Deferred) Revenue at 6-30-97

The district received no federal financial assistance for the year ended June 30, 1997.

CALHOUN COUNTY NAVIGATION DISTRICT

SCHEDULE OF PRINCIPAL TAXPAYERS

TAX YEAR 1997

-UNAUDITED-

Taxpayer	Type of Business	Prior Year's Ranking	Market Value	Abatements	1997 Assessed Value (Excluding Abatement Value)	Percent (%) of Total Assessed Valuation
1 Formosa Plastics Corp., Texas	Chemical Manufacturer	1	\$ 1,082,707,451	\$ 928,123,300	\$ 154,584,151	19.82 %
2 Formosa Plastics Corp., America	Chemical Manufacturer	2	241,197,862	232,985,600	8,212,262	1.05
3 Aluminum Company of America	Aluminum/Chemical Manufacturer	3	228,093,209	8,517,683	219,575,526	28.15
4 Nanya Plastics Corporation	Chemical Manufacturer	4	129,061,500	125,339,800	3,721,700	0.48
5 Formosa Utility Venture LDT	Private Utility Company	5	110,674,620	110,539,100	135,520	0.02
6 Central Power and Light Co.	Electrical Utility Company	6	28,553,682	191,740	28,361,942	3.64
7 Neumin Production Company	Natural Gas Company	7	15,975,080	-0-	15,975,080	2.05
8 GTE Southwest, Incorporated	Communications Company	8	8,184,992	-0-	8,184,992	1.05
9 Channel Industries Gas Co.	Natural Gas Production Company	9	4,868,090	-0-	4,868,090	0.62
10 Seadrift Pipeline Company	Petroleum Pipeline Company	12	3,840,450	-0-	3,840,450	0.49
11 American Exploration Co.	Petroleum Exploration Company	16	3,705,730	-0-	3,705,730	0.48
12 Formosa Plastics Development	Chemical Manufacturer	11	3,473,657	-0-	3,473,657	0.45
13 King Fisher Marine Service, Inc.	Marine Construction Company	13	3,377,567	63,245	3,314,322	0.42
14 Exxon Corporation	Natural Gas Company	N/A	3,343,020	-0-	3,343,020	0.43
15 Wal-Mart, Inc.	Retail Shopping Center	14	3,129,695	-0-	3,129,695	0.40
16 Rexco, Inc.	Construction Company	20	2,897,197	-0-	2,897,197	0.37
17 International Bank of Commerce	Banking Corporation	N/A	2,771,662	-0-	2,771,662	0.36
18 Caltim, Ltd.	Retail Shopping Mall	15	2,765,414	-0-	2,765,414	0.35
19 First National Bank	Banking Corporation	18	2,763,866	-0-	2,763,866	0.35
20 Northern Natural Gas Co.	Petroleum Pipeline Company	10	2,722,720	-0-	2,722,720	0.35
Totals			\$ 1,884,107,464	\$ 1,405,760,468	\$ 478,346,996	61.33 %

Total 1997 Assessed Valuation = \$780,106,243

Source: Calhoun County Appraisal District

-UNAUDITED-

CALHOUN COUNTY NAVIGATION DISTRICT

SCHEDULE OF INSURANCE COVERAGE

JUNE 30, 1997

-UNAUDITED-

<u>Type of Coverage</u>	<u>Carrier</u>	<u>Policy Period</u>		<u>Amount of Coverage</u>	<u>Amount of Deductible</u>
		<u>From</u>	<u>To</u>		
Workers Compensation	Texas Municipal League	11-20-96	10-01-97	Statutory Limit	N/A
General Liability	Texas Municipal League	11-20-96	10-01-97	\$1,000,000	\$5,000
Errors and Omissions	Texas Municipal League	11-20-96	10-01-97	\$500,000	\$5,000
Automobile	Texas Municipal League	10-01-96	10-01-97	\$500,000	\$5,000
Fire and Lightning	Trinity Universal	08-01-96	08-01-97	\$2,204,000	\$100
Equipment	Trinity Universal	09-14-96	09-14-97	\$59,854	\$1,000/250
Commercial Inland Marine	Highlands	05-04-97	05-04-98	\$873,825	\$1,000/2,500
Public Weigher Bond	Old Republic Surety	06-29-97	06-27-99	2 @ \$2,500	N/A
Customs Bond	Fidelity & Deposit Co.	08-21-96	Continuous	\$100,000	N/A
Official Bond and Oath	Western Surety	05-06-96	Continuous	3 @ \$1,000	N/A
	Old Republic Surety			3 @ \$1,000	N/A
Windstorm and Hail	TCPIA	08-09-96	08-09-97	\$2,346,000	\$100
Notary Public Bonds	Old Republic Surety	09-28-96	Continuous	2 @ \$2,500	N/A
Fidelity Bond	Colonial American Casualty	08-01-94	Continuous	\$100,000	\$1,000

Source: Calhoun County Navigation District

- UNAUDITED -

Roloff, Hnatek & Co., L.L.P.

CALHOUN COUNTY NAVIGATION DISTRICT

CARGO TRAFFIC STATISTICS

YEARS ENDED JUNE 30, 1997, 1996, AND 1995

-UNAUDITED-

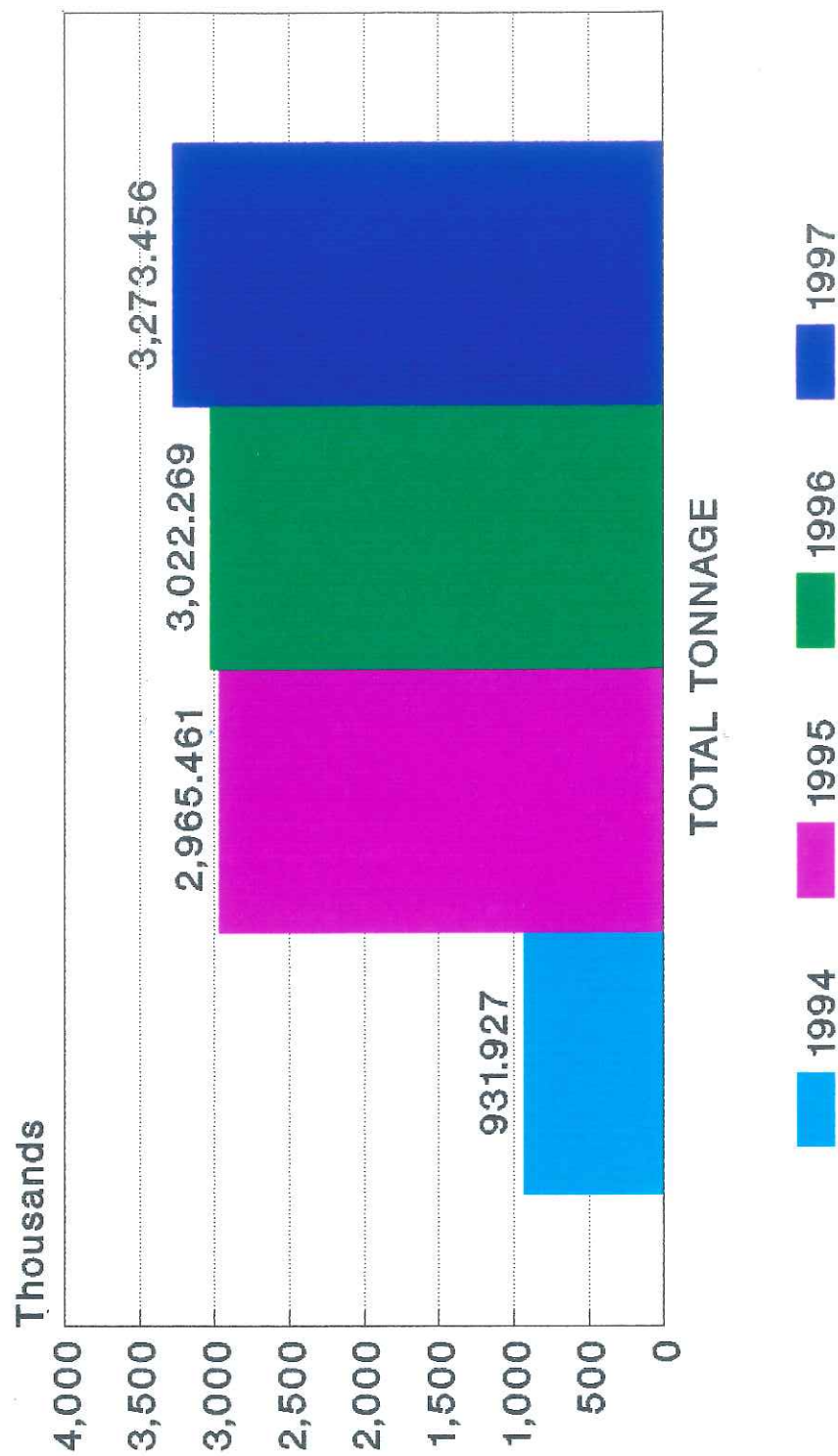
	<u>1997</u>		<u>1996</u>		<u>1995</u>	
	<u>Tonnage</u>	<u>Port Percentage</u>	<u>Tonnage</u>	<u>Port Percentage</u>	<u>Tonnage</u>	<u>Port Percentage</u>
Break Bulk Cargo	139.2	0.004 %	3,094.0	.102 %	7,245.4	0.244 %
Liquid Bulk Cargo	3,035,395.3	92.728	2,890,731.8	95.659	2,807,684.1	94.680
Dry Bulk Cargo	237,920.9	7.268	128,085.8	4.238	139,553.4	4.706
Other	<u>0.0</u>	<u>0.000</u>	<u>356.9</u>	<u>0.001</u>	<u>10,978.1</u>	<u>.370</u>
Totals	<u>3,273,455.4</u>	<u>100.000 %</u>	<u>3,022,268.5</u>	<u>100.000 %</u>	<u>2,965,461.0</u>	<u>100.000 %</u>
Tonnage/Percent Export ..	1,177,022.7	35.957 %	1,233,237.1	40.805 %	1,088,035.1	36.690 %
Tonnage/Percent Import ..	881,406.7	26.926	643,421.4	21.289	616,944.0	20.804
Tonnage/Percent Domestic	<u>1,215,026.0</u>	<u>37.117</u>	<u>1,145,610.0</u>	<u>37.906</u>	<u>1,260,481.9</u>	<u>42.506</u>
Totals	<u>3,273,455.4</u>	<u>100.000 %</u>	<u>3,022,268.5</u>	<u>100.000 %</u>	<u>2,965,461.0</u>	<u>100.000 %</u>

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Ships	125	125	103
Barges	<u>588</u>	<u>560</u>	<u>527</u>
Total	<u>713</u>	<u>685</u>	<u>630</u>

Source: Calhoun County Navigation District

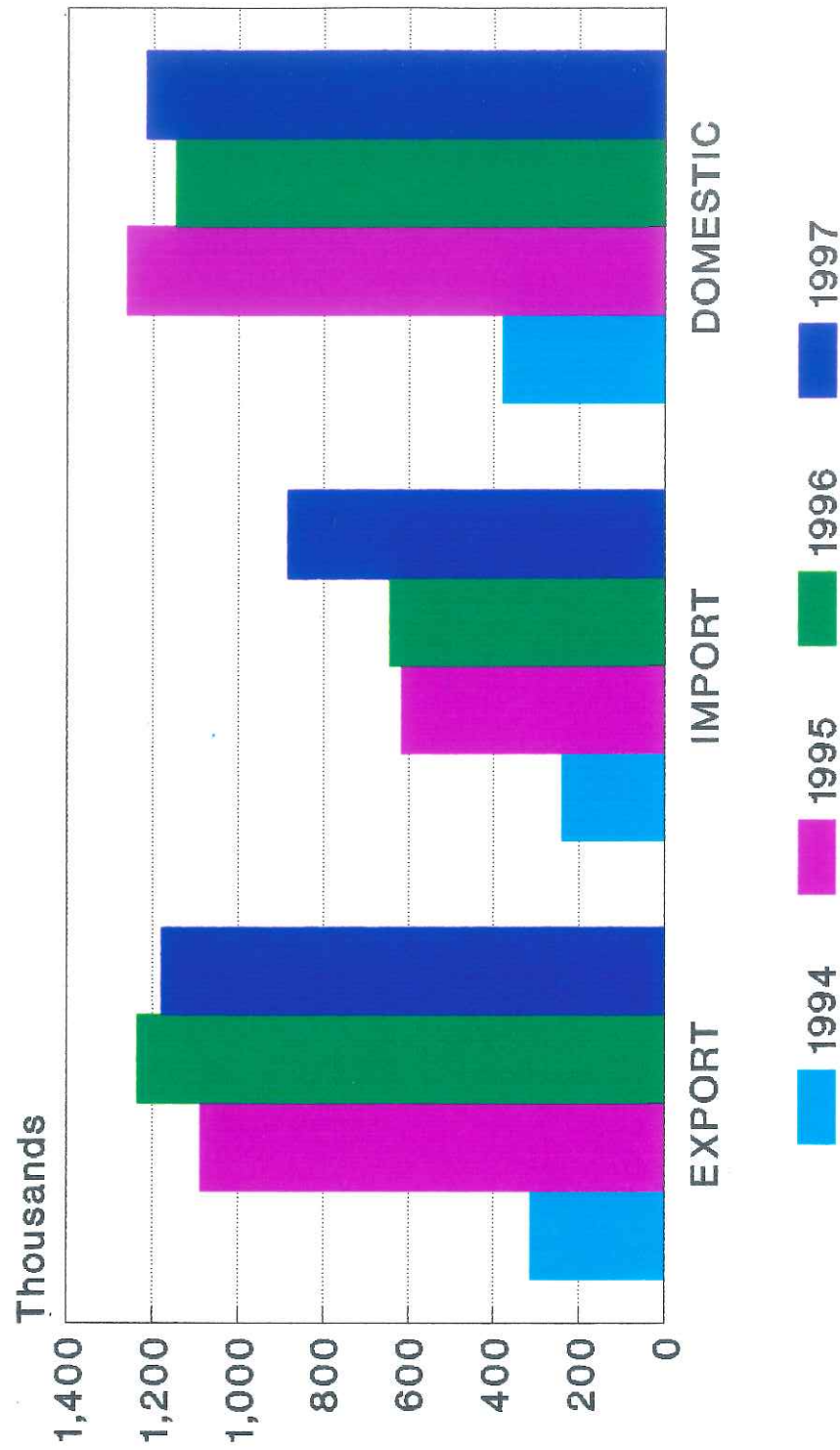
-UNAUDITED-

CALHOUN COUNTY NAVIGATION DISTRICT TOTAL TONNAGE BY YEAR (Unaudited)



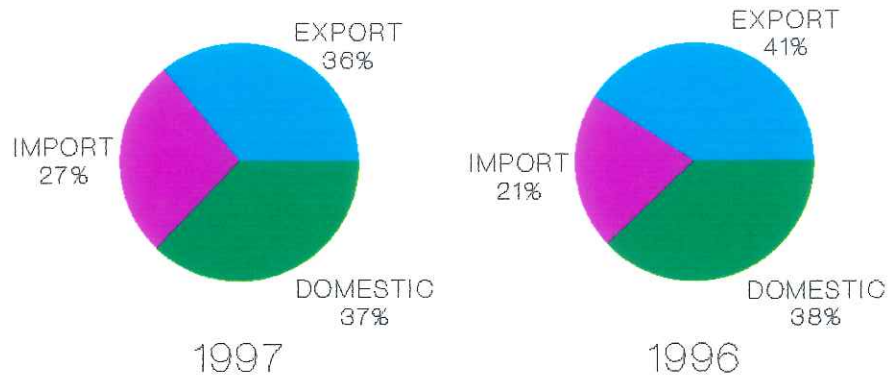
Source: Calhoun County Navigation District

CALHOUN COUNTY NAVIGATION DISTRICT TONNAGE BY CATEGORY (Unaudited)

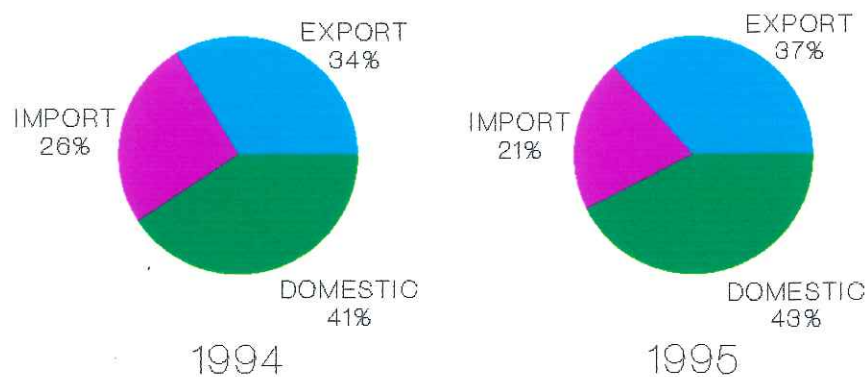


Source: Calhoun County Navigation District

**CALHOUN COUNTY NAVIGATION DISTRICT
PERCENT OF TONNAGE BY CATEGORY
(Unaudited)**

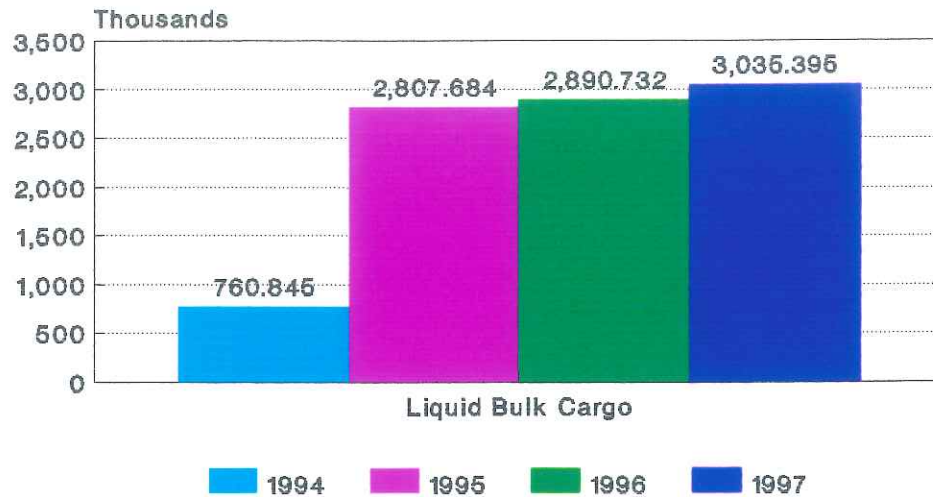


**CALHOUN COUNTY NAVIGATION DISTRICT
PERCENT OF TONNAGE BY CATEGORY
(Unaudited)**



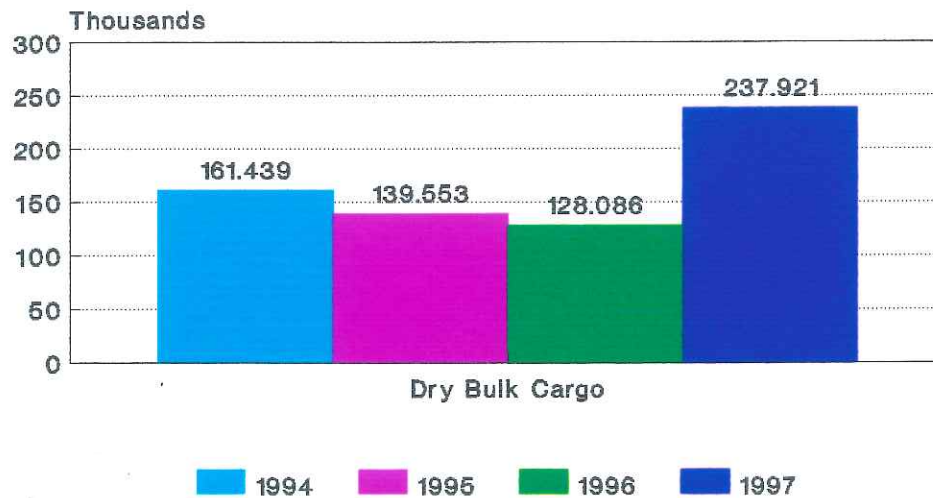
Source : Calhoun County Navigation District

Calhoun County Navigation District Liquid Bulk Cargo In Tons (Unaudited)



Liquid bulk cargo comprised 81.64%, 94.68%, 95.65%, and 92.73% of total tonnage in 1994, 1995, 1996 and 1997

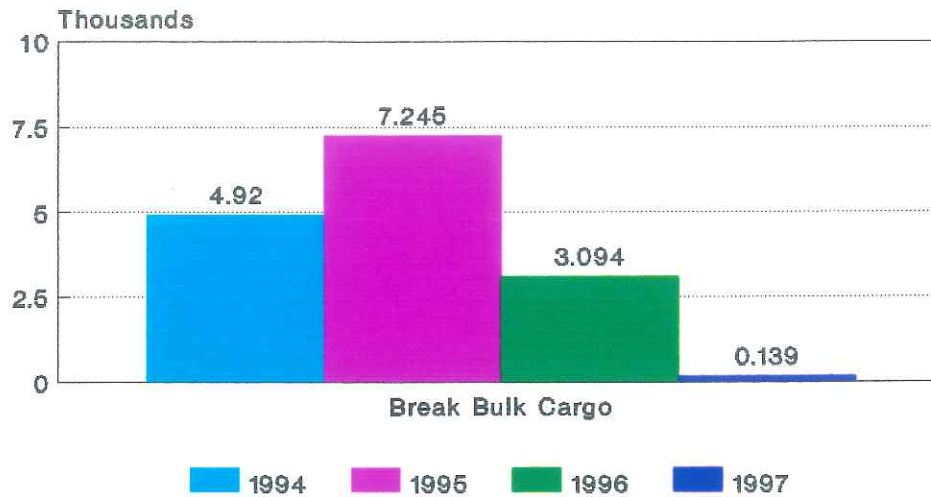
Calhoun County Navigation District Dry Bulk Cargo In Tons (Unaudited)



Dry bulk cargo comprised 17.32%, 4.71%, 4.24%, and 7.27% of total tonnage in 1994, 1995, 1996 and 1997 respectively.

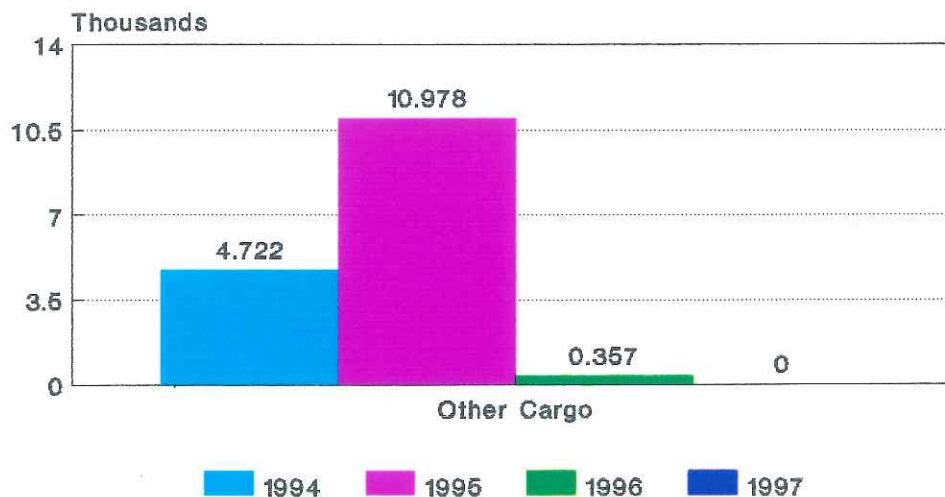
Source: Calhoun County Navigation District

Calhoun County Navigation District Break Bulk Cargo In Tons (Unaudited)



Break bulk cargo comprised .53%, .24%, .10% and .00% of total tonnage in 1994, 1995, 1996 and 1997 respectively.

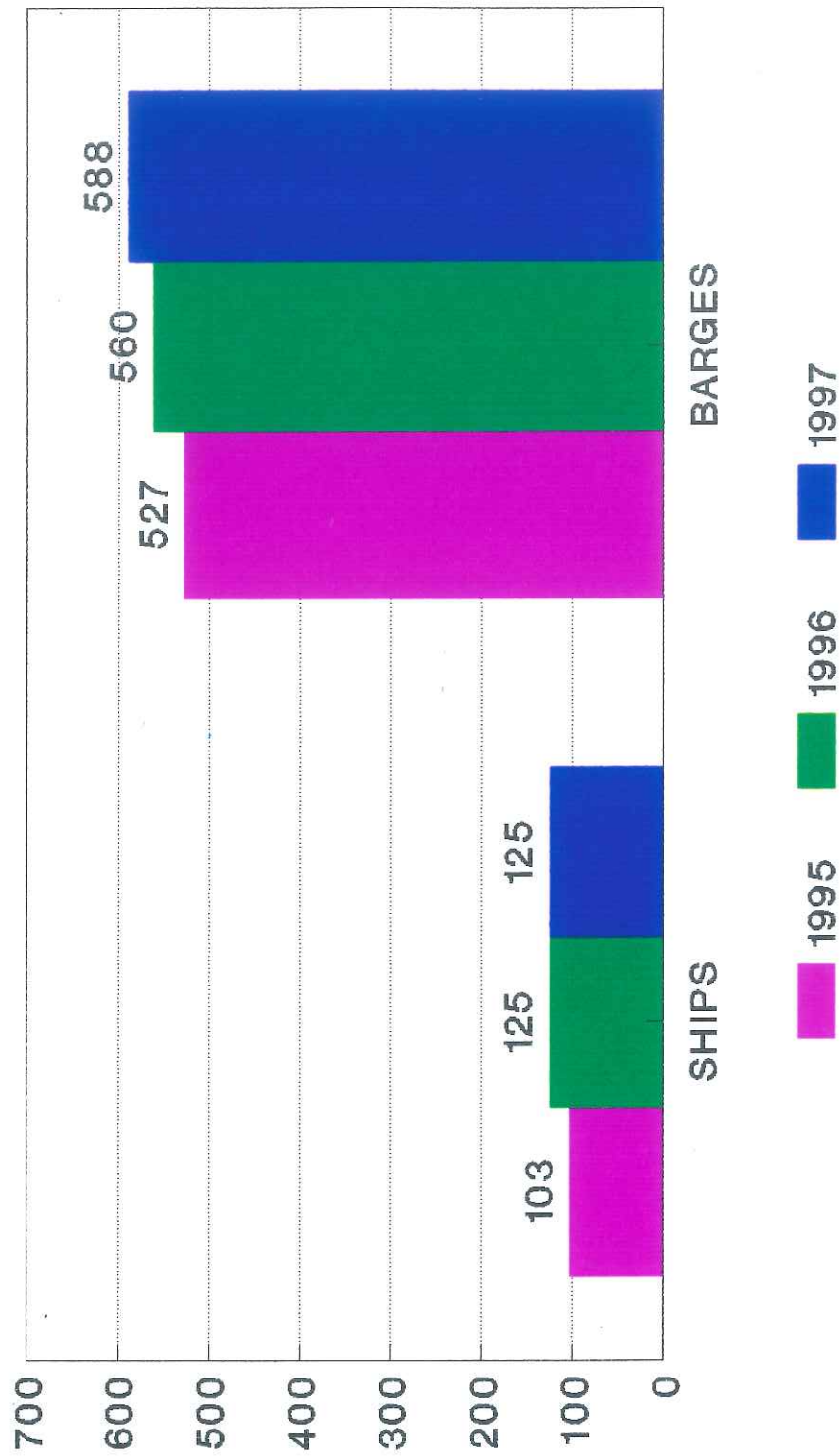
Calhoun County Navigation District Other Cargo In Tons (Unaudited)



Other cargo comprised .51%, .37%, .01% and .00% of total tonnage in 1994, 1995, 1996 and 1997 respectively.

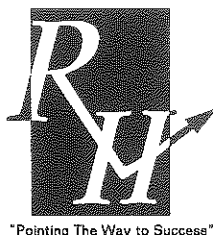
Source: Calhoun County Navigation District

CALHOUN COUNTY NAVIGATION DISTRICT NUMBER OF VESSELS (UNAUDITED)



Source: Calhoun County Navigation District
Information is not available for 1994.

COMPLIANCE AND INTERNAL CONTROLS SECTION



Roloff, Hnatek & Co., L.L.P.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Calhoun County Navigation District
Point Comfort, Texas

We have audited the financial statements of Calhoun County Navigation District as of and for the year ended June 30, 1997, and have issued our report thereon dated September 18, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Calhoun County Navigation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County Navigation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Calhoun County Navigation District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below.

Board of Commissioners
Calhoun County Navigation District
Page 2

REPORTABLE CONDITION - CURRENT YEAR

FIXED ASSETS

Finding: The District does not yet have a complete detailed listing or inventory of fixed assets. District personnel began this project during fiscal year 1997, and significant progress has been made. It is anticipated that this project will be completed in fiscal year 1998.

Recommendation: In order to properly account for and safeguard all fixed assets, the District should complete, and then maintain, the detailed listing of all fixed assets. Each asset should be recorded at its historical cost. However, if historical cost cannot be determined for an asset(s), the asset(s) should be recorded at estimated cost.

REPORTABLE CONDITIONS - PRIOR YEAR

There were two reportable conditions noted last year. The status of these two items is as follows:

Cash in Bank

At June 30, 1996, the District's deposits in its depository bank were not entirely covered by either FDIC insurance or securities pledged by the bank. This situation was rectified immediately with the District's depository bank. The District's accountant now monitors the bank's pledged securities on a monthly basis. At June 30, 1997, the District's deposits in its depository bank were covered by either FDIC insurance or securities pledged.

Fixed Assets

Refer to the reportable condition - current year above for the status of this item.

Board of Commissioners
Calhoun County Navigation District
Page 3

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Commissioners, management, and the Texas Water Commission. However, this report is a matter of public record and its distribution is not limited.

Roloff, Hnatek and Co., L.L.P.
Certified Public Accountants

September 18, 1997